

Corporate Profile

Board of Directors

Mr. Waqar A. Malik	Chairman
Mr. Zuhair Siddiqui	Managing Director
Mr. Aurangzeb Ali Naqvi	
Mr. Ayaz Dawood	
Mr. Air Vice Marshal Azhar Maud (Retd.)	
Mr. Babar Yaqoob Fateh Muhammad	
Dr. Shahab Alam	
Mr. Fazal-ur-Rehman Dittu	
Mr. Mirza Mahmood Ahmad	
Mr. Muhammad Arif Hameed	
Mr. Muhammad Zubair Habib	
Mr. Nessar Ahmed	
Mr. Shahid Aziz Siddiqui	
Mr. Wazir Ali Khoja	

Board of Directors' Committees

Audit Committee

Mr. Nessar Ahmed	Chairman
Mr. Aurangzeb Ali Naqvi	Member
Mr. Ayaz Dawood	Member
Mr. Air Vice Marshal Azhar Maud (Retd.)	Member
Mr. Fazal-ur-Rehman Dittu	Member
Mr. Muhammad Arif Hameed	Member

Finance Committee

Mr. Shahid Aziz Siddiqui	Chairman
Mr. Zuhair Siddiqui	Managing Director
Mr. Mirza Mahmood Ahmad	Member
Mr. Shahab Alam	Member
Mr. Wazir Ali Khoja	Member
Mr. Muhammad Zubair Habib	Member

Human Resource Committee

Mr. Waqar A. Malik	Chairman
Mr. Zuhair Siddiqui	Managing Director
Mr. Babar Yaqoob Fateh Muhammad	Member
Mr. Ayaz Dawood	Member
Mr. Mirza Mahmood Ahmad	Member
Mr. Shahid Aziz Siddiqui	Member

Company Secretary

Mr. Yusuf J. Ansari

Chief Financial Officer

Mr. Abdul Malik

Auditors

M/s. M. Yousuf Adil Saleem & Co.
Chartered Accountants

Legal Advisor

M/s. Haidermota & Co.
Barrister-at-law & Corporate Counsels

Registered Office

SSGC House
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Directors' Report

We are pleased to present and share the Company's un-audited results for the first quarter ended September 30, 2012.

As highlighted in our Annual Report, the Company continue to face serious challenges some of which are critical for the Company's future growth and viability.

Reasons for delay in accounts

Final Revenue Requirement (FRR) determination by OGRA for financial year 2011-12 was not finalized until the first week of February 2013. Normally it would have been done by the 3rd week of September 2012. As a result the first quarterly accounts of the Company could not be finalized. Hence the consequential delay in declaration of first quarterly results.

Gas supply and demand

Shortage of gas supply affected the Company's ability to meet Customers' demand and it had to resort to a load management program. The key projects relating to LPG, LNG & SNG are in hand and the management is making all efforts to progress them for effective outcomes.

Profitability

In the first quarter, the Company posted a profit of Rs. 1,001 million as compared to Rs. 796 million in corresponding period last year, a 26% growth. The Earning Per Share (EPS) increased to Rs. 1.14 against Rs. 0.90 last year. Key financial ratios for the period under review are presented below:

First quarter ended September 30,	2012	2011
• Debt equity	52:48	48:52
• Debt servicing	1.53	2.03
• Current ratio	1.01	1.02
• Return on equity (%)	5.2	4.4
• Return on average capital employed (%)	2.5	2.0
• Earnings per share – Rs.	1.14	0.90

These accounts have been prepared on the basis of determination of Estimated Revenue Requirement (ERR) for FY 2012-13 given by OGRA. While giving its determination OGRA has taken into account the stay order granted by Sindh High Court wherein OGRA was directed to treat UFG benchmark at 7% for the said financial year and was also ordered to treat certain incomes as non-operating incomes till the final decision of the petition filed by the Company. The petition was filed on several grounds including: 1) The benchmark fixed by OGRA was arbitrary and unrealistic. 2) OGRA could only impose a penalty under Rule 20 of the Natural Gas Tariff Rules 2002 on the company for violating the UFG benchmark, which could not exceed the maximum of Rs. 730 Million per year. 3) Certain incomes were illegally treated as operating Income.

In case the petition is decided against the company instead of declaring a profit it would incur a loss of Rs. 943 Million for the period ended September 30, 2012. However, if the petition is decided in favor of the Company and all contentions requested by the Company are accepted, the profit for the period would further increase by Rs. 551 Million.

In Final Revenue Requirement (FRR) for FY 2011-12 determined by OGRA, volumes lost to theft by non-consumers and losses in areas affected by law and order situation were not allowed which is arbitrary and discriminatory against the Company as the same have been allowed to Sui Northern Gas Pipeline Limited (SNGPL). Consistent with the annual financial statements for the year ended June 30, 2012, above mentioned gas sales volumes were not taken into account while determining gas sales for the first quarter. However, the Company believes that these volumes are rightful claims and will use all available remedies to protect its right.

Unaccounted for gas (UFG)

During the first quarter ended September 30, 2012, the Unaccounted for gas (UFG) was 10.25% as against 7% currently permissible and 10.22% of corresponding period last year. This has resulted in UFG disallowance of Rs. 1,031 million (2011: Rs. 900 million) on account of excess "Unaccounted for Gas" (UFG).

Trade Debts

Company's Trade Debts increased by 6.27% in first quarter from June 30, 2012, resulting in severe liquidity crunch. This is mainly due to a few Customers who continue to default on payments. This includes KESC, Pakistan Steel & WAPDA. Besides, the Sales Tax refunds by the FBR and non reimbursement of Gas Development Surcharge by Government of Pakistan has also affected cash flows of the Company.

Future Outlook

The future outlook of the Company depends on the following:

- 1) Improvement in gas supply position.
- 2) Significant recoveries of our long outstanding receivables, providing sufficient cash flows to finance our current operations and future plans.
- 3) Outcome of our petition pending in the Sindh High Court (SHC) against OGRA's tariff decision, in which the Company has proposed the following:
 - a) Treatment of Late Payment Surcharge (LPS), Sale of Gas Condensate, Royalty Income from JJVL and Meter Manufacturing Profit as Non Operating income, being a non regulated income.
 - b) Rationalization of UFG benchmark since the previous benchmark was introduced without consultation with the gas companies and independent experts were not engaged. Also, the base operating condition prevalent at the time of introduction of benchmark like cost of gas, bulk retail ratio, etc., have now become lopsided, thereby adversely impacting UFG.
 - c) Maximum penalty that OGRA may impose for a particular financial year cannot exceed Rs. 730 million per annum under Rule 20 of the natural gas (tariff) 2002 and therefore UFG penalties imposed by OGRA are very excessive and are not in accordance with the relevant laws.

It is to be noted that supply of gas in areas faced by law and order situation is resulting in huge loss to the Company, as UFG in these areas is much beyond the approved ceiling by OGRA. Under these circumstances, the Company has to seriously consider the possibility of discontinuation of gas supply to such areas in line with the best commercial practices, as without such remedial action the Company and its shareholders, the main owner being the Government of Pakistan, will continue to suffer huge revenue losses. However, if the stakeholders do not approve the proposed action stated above, the review of UFG targets by OGRA / MP&NR will become essential so that the Company can continue to remain financially viable.

The Board would like to thank all our shareholders for their continuous support through these trying times and the Management, officers and staff of the Company for discharging their responsibilities in an efficient manner. Last but not the least, we are grateful to MP&NR and OGRA for their support on various issues.



Waqar A. Malik

Chairman



Zuhair Siddiqui

Managing Director

Karachi
February 28, 2013

Unconsolidated Condensed Interim Balance Sheet (Un-audited)

As at September 30, 2012

	Note	September 30, 2012 (un-audited) (Rupees in '000)	June 30, 2012 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	65,225,913	64,260,064
Intangible assets		67,318	45,946
Long term investments	7	1,080,182	1,071,575
Net investment in finance lease		767,593	802,950
Long term loans and advances		117,477	124,235
Long-term deposits		3,250	3,250
Total non-current assets		67,261,733	66,308,020
Current assets			
Stores, spares and loose tools		2,177,024	2,080,366
Stock-in-trade		755,857	780,365
Current maturity of net investment in finance lease		118,795	118,795
Customers' installation work-in-progress		54,297	191,900
Trade debts	8	76,237,110	71,740,913
Loans and advances		1,769,669	1,421,758
Trade deposits and short term prepayments		214,120	180,658
Interest accrued		3,493,106	3,553,168
Other receivables	9	22,597,558	24,153,103
Taxation - net		690,481	1,428,229
Cash and bank balances		4,163,569	1,502,964
Total current assets		112,271,586	107,152,219
Total assets		179,533,319	173,460,239
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital: 1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid-up capital		8,809,163	8,809,163
Reserves		4,907,401	4,907,401
Surplus on re-measurement of available for sale securities		66,552	57,946
Unappropriated profit		5,474,981	4,473,742
Total equity		19,258,097	18,248,252
Surplus on revaluation of fixed assets		10,251,946	10,251,946
LIABILITIES			
Non-current liabilities			
Long term finance - secured	10	17,391,802	18,315,383
Long term deposits		4,745,005	4,600,424
Deferred tax		7,387,101	7,621,895
Employee benefits		2,236,349	2,154,237
Deferred credit	11	5,237,986	5,336,479
Long term advances		1,898,061	1,896,646
Total non-current liabilities		38,896,304	39,925,064
Current liabilities			
Current portion of long term finance		3,283,443	3,227,262
Trade and other payables	12	90,330,420	85,610,600
Interest and mark-up accrued		17,513,109	16,197,115
Total current liabilities		111,126,972	105,034,977
Total liabilities		150,023,276	144,960,041
Contingencies and commitments	13		
Total equity and liabilities		179,533,319	173,460,239

The annexed notes from 1 to 27 form an integral part of these unconsolidated condensed interim financial information.



Waqar A. Malik

Chairman



Zuhair Siddiqui

Managing Director

Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)

For the Quarter Ended September 30, 2012

	Note	September 30, 2012	September 30, 2011
		(Rupees in '000)	
Sales		40,928,723	34,820,450
Sales tax		(5,786,723)	(4,292,194)
		35,142,000	30,528,256
Gas development surcharge		132,588	385,189
Net sales		35,274,588	30,913,445
Cost of sales	14	(34,804,380)	(30,177,776)
Gross profit		470,208	735,669
Administrative and selling expenses		(742,832)	(673,132)
Other operating expenses	15	(490,439)	(98,900)
		(1,233,271)	(772,032)
		(763,063)	(36,363)
Other operating income	16	890,322	762,158
Operating profit		127,259	725,795
Other non-operating income	17	3,398,157	2,301,056
Finance cost	18	(1,976,785)	(1,802,554)
Profit before taxation		1,548,632	1,224,297
Taxation	19	(547,393)	(428,504)
Profit for the period		1,001,239	795,793
			(Restated)
Basic / diluted earnings per share (Rupees)		1.14	0.90

The annexed notes from 1 to 27 form an integral part of these unconsolidated condensed interim financial information.


Waqar A. Malik
Chairman


Zuhair Siddiqui
Managing Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the Quarter Ended September 30, 2012

	September 30, 2012	September 30, 2011
	(Rupees in '000)	
Net profit for the period	1,001,239	795,793
Other comprehensive income		
Unrealised gain / (loss) on re-measurement of available for sale securities	8,606	(4,243)
Total comprehensive income for the period	1,009,845	791,550

The annexed notes from 1 to 27 form an integral part of these unconsolidated condensed interim financial information.


Waqar A. Malik
Chairman


Zuhair Siddiqui
Managing Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the Quarter Ended September 30, 2012

	Note	September 30, 2012	September 30, 2011
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,548,632	1,224,297
Adjustments for non-cash and other items	20	2,984,227	2,951,979
Working capital changes	21	1,737,387	716,305
Financial charges paid		(724,223)	(768,630)
Income taxes paid		(44,440)	(364,944)
Net cash from operating activities		5,501,583	3,759,007
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,878,016)	(1,398,376)
Proceeds from sale of property, plant and equipment		973	1,578
Short term loan to subsidiary company		(175,000)	-
Lease rental from net investment in finance lease		80,019	37,888
Dividend received		237	-
Net cash used in investing activities		(1,971,787)	(1,358,910)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		-	5,359
Repayments of local currency loans		(846,190)	(1,339,518)
Consumer finance received		1,491,953	-
Repayment of consumer finance		(1,514,600)	-
Dividend paid		(354)	(44,563)
Net cash used in financing activities		(869,191)	(1,378,722)
Net increase in cash and cash equivalents		2,660,605	1,021,375
Cash and cash equivalents at beginning of the period		1,502,964	1,084,857
Cash and cash equivalents at end of the period		4,163,569	2,106,232

The annexed notes from 1 to 27 form an integral part of these unconsolidated condensed interim financial information.


Waqar A. Malik
Chairman


Zuhair Siddiqui
Managing Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)

For the Quarter Ended September 30, 2012

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re-measurement of available for sale securities	Unappro- priated profit	Total
	(Rupees in '000)					
Balance as at July 1, 2011	8,389,679	234,868	2,872,533	68,610	6,209,403	17,775,093
Total comprehensive income for the period ended September 30, 2011						
Profit for the period	-	-	-	-	795,793	795,793
Unrealized loss on re-measurement of available for sale securities	-	-	-	(4,243)	-	(4,243)
Total comprehensive income for the period	-	-	-	(4,243)	795,793	791,550
Balance as at September 30, 2011	8,389,679	234,868	2,872,533	64,367	7,005,196	18,566,643
Balance as at July 01, 2012	8,809,163	234,868	4,672,533	57,946	4,473,742	18,248,252
Total comprehensive income for the period ended September 30, 2012						
Profit for the period	-	-	-	-	1,001,239	1,001,239
Unrealized gain on re-measurement of available for sale securities	-	-	-	8,606	-	8,606
Total comprehensive income for the period	-	-	-	8,606	1,001,239	1,009,845
Balance as at September 30, 2012	8,809,163	234,868	4,672,533	66,552	5,474,981	19,258,097

The annexed notes from 1 to 27 form an integral part of these unconsolidated condensed interim financial information.



Waqar A. Malik

Chairman



Zuhair Siddiqui

Managing Director

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited)

For the Quarter Ended September 30, 2012

1. STATUS AND NATURE OF BUSINESS

- 1.1 Sui Southern Gas Company Limited ("the Company") is a public limited Company incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The main activity of the Company is transmission and distribution of natural gas in Sindh and Balochistan. The Company is also engaged in certain activities related to the gas business including the manufacturing and sale of gas meters and construction contracts for laying of pipelines.

2. BASIS FOR PREPARATION

- 2.1 The unconsolidated condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan and the provisions and directives of the Companies Ordinance, 1984 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed. This unconsolidated condensed interim financial information does not include all of the information required for the full annual financial statements and should be read in conjunction with the unconsolidated financial statements of the Company for the year ended June 30, 2012.

The unconsolidated condensed interim financial information for the quarter ended September 30, 2012 have been prepared using the opening balances as at July 01, 2012 extracted from annual financial statements of the Company for the year ended June 30, 2012 which are duly approved by the Board of Directors in their meeting held on February 15, 2013. The annual financial statements will be laid before shareholders for their adoption in Annual General Meeting to be held on March 19, 2013.

- 2.2 The comparative balance sheet presented in the condensed interim financial information has been extracted from the audited financial statements of the Company for the year ended June 30, 2012, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are stated from the unaudited condensed interim financial information for the quarter ended September 30, 2011.

2.3 Determination of revenue requirement

Revenue requirement for the quarter ended September 30, 2012 has been determined on the same basis as determined in the annual financial statements for the year ended June 30, 2012 which is based on interim relief provided by the Sindh High Court decision in the matter explained below:

The Oil and Gas Regulatory Authority (OGRA) in its order dated December 02, 2010 and May 24, 2011 treated Royalty Income from Jamshoro Joint Venture, Profit from Meter Manufacturing, Late Payment Surcharge and Sale of Gas Condensate as operating income which it had previously allowed as non-operating income in its decision dated September 24, 2010 for the year ended June 30, 2010. OGRA also in its aforesaid decision reduced benchmark of the allowable Unaccounted for Gas (UFG) from 7% to 4.25%-5%. Aggrieved by the above decision, the Company had filed an appeal against the decision of the OGRA in the High Court of Sindh (the Court), on which the Court has provided interim relief whereby OGRA was directed to determine the revenue requirements on the same principles as per its decision of September 24, 2010 till final order of the Court. However, with regard to UFG benchmark, OGRA was directed to carry out an impact assessment study and submit its report to the Court.

Accordingly, the condensed interim financial information has been prepared based on the interim relief provided by the Court. Management is confident that the final decision of the Court would be in favour of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied for the preparation of this unconsolidated condensed interim financial information are the same as those applied in preparation of the annual unconsolidated audited financial statements of the Company for the year ended June 30, 2012.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the matter as disclosed in note 2.4 were the same as those that applied to the financial statements for the year ended June 30, 2012.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2012.

**September 30,
2012
(un-audited)** **June 30,
2012
(audited)**
(Rupees in '000)

6. PROPERTY, PLANT AND EQUIPMENT

Operating assets	57,239,433	57,355,317
Capital work-in-progress	7,986,480	6,904,747
	<u>65,225,913</u>	<u>64,260,064</u>

Details of additions and disposals of property, plant and equipment during the quarter ended September 30, 2012 are as follows:

	2012 (un-audited)		2011 (un-audited)	
	(Rupees in '000)			
	Cost of additions/ transfers	Written down value of (disposals/ transfers)	Cost of additions/ transfers	Written down value of (disposals/ transfers)
Operating assets - owned				
Gas transmission and distribution system	690,944	-	122,735	-
Buildings on leasehold land	3,793	-	29,044	-
Plant, machinery and others	174,821	(1,607)	72,646	1,578
	<u>869,558</u>	<u>(1,607)</u>	<u>224,425</u>	<u>1,578</u>
	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred	Transfer to operating assets

Capital work-in-progress:

Gas transmission and distribution system	1,796,609	(690,944)	1,364,570	(122,735)
Cost of building under construction	3,078	(3,793)	25,085	(29,044)
Plant, machinery and others	151,604	(174,821)	72,646	(72,646)
	<u>1,951,291</u>	<u>(869,558)</u>	<u>1,462,301</u>	<u>(224,425)</u>

**September 30,
2012
(un-audited)** **June 30,
2012
(audited)**
(Rupees in '000)

7. LONG TERM INVESTMENTS

Investment in related parties	1,050,466	1,042,169
Other investments	29,716	29,406
	<u>1,080,182</u>	<u>1,071,575</u>

		September 30, 2012 (un-audited) (Rupees in '000)	June 30, 2012 (audited)
8. TRADE DEBTS			
Considered good			
- secured		13,099,372	13,145,342
- unsecured		63,137,738	58,595,571
	8.1 & 8.2	76,237,110	71,740,913
Considered doubtful		3,480,214	3,416,032
		79,717,324	75,156,945
Provision against doubtful debts		(3,480,214)	(3,416,032)
		76,237,110	71,740,913

8.1 Trade debts include Rs. 44,075 million (June 30, 2012: Rs. 41,805 million) unsecured receivables from Karachi Electric Supply Company Limited (KESC). Out of this, Rs. 40,370 million are over due. As per the latest financial statements of KESC for the quarter ended September 30, 2012, its accumulated losses have reached to Rs. 80,082 million, and its current liabilities exceeded current assets by Rs. 42,854 million. Management is proactively engaged in negotiating a gas sales agreement, which will include recovery of the above amount as well. In order to expedite the recovery of the outstanding amount, the Company has also filed a law suit against KESC in the High Court of Sindh for recovery of Rs. 45,705 million on November 21, 2012. Management is confident that this amount will be recovered.

Trade debts include Rs. 10,616 million (June 30, 2012: Rs. 8,782 million) unsecured receivable from Pakistan Steel Mills Corporation Private Limited (PSML). Out of this, Rs. 10,247 million are over due. Management is confident that the entire amount will be recovered because PSML is a Government owned entity and is continuously supported by the Government of Pakistan.

8.2 Aggregate trade debts due from Karachi Electric Supply Company Limited (KESC), Jamshoro Power Company Limited (JPCL) and Sui Northern Gas Pipelines Limited (SNGPL) amounted to Rs. 53,701 million as at September 30, 2012 (June 30, 2012: Rs. 53,396 million). These include overdue amounts of Rs. 43,634 million (June 30, 2012: Rs. 42,567 million). Receivable from SNGPL against uniform cost of gas and lease rental is classified under other receivables and amounts to Rs. 7,061 million (June 30, 2012: Rs. 9,388 million). Interest accrued amounting to Rs. 4,692 million (June 30, 2012: Rs. 4,470 million) in respect of overdue balances of KESC, JPCL and SNGPL is classified in accrued interest.

As at September 30, 2012, an amount of Rs. 60,623 million (June 30, 2012: Rs. 58,919 million) is payable to OGDCL, Pakistan Petroleum Limited and Government Holding (Private) Limited in respect of gas purchases along with interest of Rs. 17,281 million (June 30, 2012: Rs. 15,832 million) on their balances.

		September 30, 2012 (un-audited) (Rupees in '000)	June 30, 2012 (audited)
9. OTHER RECEIVABLES - considered good			
Gas development surcharge receivable from Government of Pakistan (GoP)	9.1	7,451,428	7,233,443
Receivable from staff pension fund - non executives		82,732	82,733
Balance receivable for sale of gas condensate		24,038	32,304
Receivable from SNGPL - a related party	9.2	7,074,081	9,467,773
Receivable from Jamshoro Joint Venture Limited (JJVL)		2,289,970	2,571,866
Workers' Profit Participation Fund		55,742	59,912
Sales tax receivable		6,007,659	5,094,869
Pipeline rentals		12,020	11,131
Miscellaneous		138,210	137,394
		23,135,880	24,691,425
Provision against other receivables		(538,322)	(538,322)
		22,597,558	24,153,103

- 9.1** This includes Rs. 390 million (June 30, 2012: Rs. 390 million) recoverable from the GoP on account of remission of gas receivables from people of Ziarat under instructions from GoP.
- 9.2** This includes lease rental receivable and recoverable against lease service cost and contingent rent amounting to Rs. million 117 (June 30, 2012: Rs. 79 million) and Rs. 6,944 million (June 30, 2012: Rs. 9,388 million) receivable under the uniform cost of gas agreement with SNGPL.

	Note	September 30, 2012 (un-audited) (Rupees in '000)	June 30, 2012 (audited)
10. LONG-TERM FINANCE - secured			
Secured			
Loans from banking companies	10.1	12,768,499	13,576,586
Unsecured			
Consumer financing	10.2	168,261	183,755
Government of Sindh loan	10.3	4,455,042	4,555,042
		4,623,303	4,738,797
		17,391,802	18,315,383

10.1 Loans from banking companies

	Installment payable	Repayment period	Mark-up per annum (above 3 months KIBOR)			
Samba Bank Limited	quarterly	2010-2012	0.20%	10.1.1	100,000	200,000
Bank Islami Pakistan Limited	quarterly	2010-2012	0.20%	10.1.1	470,000	940,000
Faysal Bank Limited	quarterly	2011-2013	1.00%	10.1.1	266,666	400,000
Standard Chartered Bank (Pakistan) Ltd.	quarterly	2012-2015	1.00%	10.1.1	1,857,143	2,000,000
Askari Bank Limited	quarterly	2013-2015	1.00%	10.1.1	1,000,000	1,000,000
Meezan Bank Limited	quarterly	2013-2015	1.00%	10.1.1	3,000,000	3,000,000
Bank Alfalah Limited	quarterly	2013-2016	1.00%	10.1.1	1,000,000	1,000,000
Allied Bank Limited	quarterly	2013-2016	1.00%	10.1.1	1,000,000	1,000,000
Askari Bank Limited	quarterly	2013-2016	1.00%	10.1.1	500,000	500,000
Bank Al-Habib Limited	quarterly	2013-2016	1.00%	10.1.1	500,000	500,000
Allied Bank Limited	quarterly	2013-2016	1.00%	10.1.1	1,000,000	1,000,000
Bank Alfalah Limited	quarterly	2015-2017	0.75%	10.1.1	1,000,000	1,000,000
United Bank Limited	quarterly	2015-2017	0.75%	10.1.1	2,000,000	2,000,000
Meezan Bank Limited	quarterly	2015-2017	0.75%	10.1.1	2,000,000	2,000,000
Unamortised transaction cost					(17,215)	(18,652)
					15,676,594	16,521,348
Less: Current portion shown under current liabilities					(2,908,095)	(2,944,762)
					12,768,499	13,576,586

- 10.1.1** These loans / financial arrangements are secured by a first pari passu fixed charge created by way of hypothecation over all the present and future movable fixed assets of the Company comprising of compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment.

September 30,
2012
(un-audited)
(Rupees in '000)

June 30,
2012
(audited)

Note

10.2 Consumer financing

Consumer financing	10.2.1	245,587	268,233
Less: Current portion shown under current liabilities		(77,326)	(84,478)
		168,261	<u>183,755</u>

- 10.2.1** This represents contributions received from certain industrial customers for the laying of distribution mains for supply of gas to their premises. These balances carry mark-up at 25% of (3 year average ask side KIBOR less 2% per annum) for laying of distribution mains. Principal and interest are adjustable in 48 equal installments through credits in the monthly gas bills of the consumers.

10.3 Government of Sindh loan

		Instalment payable	Principal repayment period	Mark-up rate p.a			
Government of Sindh loan - I	yearly		2007 - 2016	2%	10.3.1	33,064	33,064
Government of Sindh loan - II	yearly		2011 - 2020	4%	10.3.1	720,000	720,000
Government of Sindh loan - III	yearly		2012 - 2021	4%	10.3.1	900,000	900,000
Government of Sindh loan - IV	yearly		2013 - 2022	4%	10.3.1	1,000,000	1,000,000
Government of Sindh loan - V	yearly		2014 - 2023	4%	10.3.1	1,100,000	1,100,000
Government of Sindh loan - VI	yearly		2014 - 2023	4%	10.3.1	1,000,000	1,000,000
Government grant					10.3.2	(1,898,323)	(1,898,323)
						2,821,677	2,821,677
Government grant					10.3.2	1,898,323	1,898,323
						4,753,064	4,753,064
Less: Current portion shown under current liabilities						(298,022)	(198,022)
						4,455,042	<u>4,555,042</u>

- 10.3.1** An unsecured development loan from Government of Sindh has been availed for supply of gas to various districts and areas of Sindh. The loans (II, III, IV, V & VI) has been stated at fair value (refer note 10.3.2).

- 10.3.2** This represents the benefit of lower interest rate on Government of Sindh Loan II, III, IV, V & VI, and is calculated as difference between the proceeds received in respect of Government of Sindh Loan II, III, IV, V & VI amounting to Rs. 900 million, Rs. 1,000 million, Rs. 1,000 million, Rs. 1,100 million and Rs. 1,000 million respectively, and its initial fair value amounting to Rs. 582.076 million, Rs. 660.888 million, Rs. 625.281 million, Rs. 646.083 and Rs. 587.349 million respectively. These are calculated at 3 month Average KIBOR prevailing at year end. This benefit is treated as Government grant and would be amortised over the estimated useful life of related assets when constructed.

September 30, **June 30,**
2012 **2012**
(un-audited) **(audited)**
(Rupees in '000)

11. DEFERRED CREDIT

- <i>Government contributions / grants</i>		
Opening balance	3,279,135	3,255,458
Additions / adjustments during the period / year	-	218,897
Transferred to unconsolidated profit and loss account	(49,618)	(195,220)
Closing balance	3,229,517	3,279,135
- <i>Contribution from customers</i>		
Opening balance	2,057,344	2,263,176
Transferred to unconsolidated profit and loss account	(48,875)	(205,832)
Closing balance	2,008,469	2,057,344
	5,237,986	5,336,479

12. TRADE AND OTHER PAYABLES

Creditors for:		
- gas	80,829,334	77,947,074
- supplies	392,522	584,692
	81,221,856	78,531,766
Amount received from customers for laying of mains, etc.	2,169,622	2,097,337
Accrued liabilities	2,703,851	2,288,365
Provision for compensated absences - non executives	103,239	134,410
Deposits / retention money	225,445	232,737
Bills payable	34,988	22,511
Advance for sharing right of way	18,088	18,088
Unclaimed dividend	200,233	200,587
Withholding tax payable	113,621	119,396
CESS payable	3,352,246	1,776,112
Unclaimed term finance certificate redemption profit	1,800	1,800
Inter State Gas System (Private) Limited (ISGSL)	15,784	16,205
Others	169,647	171,286
	90,330,420	85,610,600

13. CONTINGENCIES AND COMMITMENTS

13.1 There has been no change in the status of other contingencies as disclosed in note 16 of annual audited financial statements of the Company for the year ended June 30, 2012, except for the following:

September 30, **June 30,**
2012 **2012**
(un-audited) **(audited)**
(Rupees in '000)

13.2 Claims against the Company not acknowledged as debt	87,293	87,293
13.3 Commitments for capital and other expenditure	3,140,449	2,779,742
13.4 Guarantees issued on behalf of the Company	1,799,723	1,787,823

13.5 Demand finance facilities have been given to the Company's employees by certain banks for the purchase of vehicles against the Company's guarantee and hypothecation of the Company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million (30 June 2012: Rs. 75 million) and the Company's investment in shares having a face value of Rs. 0.5 million (30 June 2012: Rs. 0.5 million). Loan outstanding at the year end was Rs. 2.356 million (30 June 2012: Rs. 2,920 million).

September 30, 2012 **September 30, 2011**
(un-audited)
(Rupees in '000)

14. COST OF SALES

Cost of gas	31,620,031	27,952,841
Transmission and distribution costs	3,184,349	2,224,935
	<u>34,804,380</u>	<u>30,177,776</u>

15. OTHER OPERATING EXPENSES

Auditors' remuneration	1,179	837
Workers' Profit Participation Fund	81,507	64,482
Sports expenses	3,529	3,360
Corporate social responsibility	704	15,923
Exchange loss on payment of gas purchases	112,298	-
Loss on sale of property, plant and equipment	634	-
Provision against impaired stores and spares	16,854	13,434
Provision against financial income	273,734	-
Others	-	864
	<u>490,439</u>	<u>98,900</u>

16. OTHER OPERATING INCOME

Income from other than financial assets

Meter rentals	164,390	156,458
Recognition of income against deferred credit	94,854	87,301
Income from new service connections	54,229	60,319
Gas shrinkage charged to JJVL	527,479	375,782
Income from gas transportation	8,579	7,265
Income from LPG air mix distribution - net	21,379	19,786
Advertising income	1,145	1,662
Income from sale of tender documents	674	-
Scrap sales	399	-
Liquidity damaged recovered	296	-
Exchange gain on payment of gas purchases	-	24,895
Miscellaneous	16,349	26,083
	<u>889,773</u>	<u>759,551</u>

Income from investment in debts, loans, advances and receivables from a related party

Contingent rental income - SNGPL	549	2,607
	<u>890,322</u>	<u>762,158</u>

September 30, September 30,
2012 2011
(un-audited)
(Rupees in '000)

17. OTHER NON-OPERATING INCOME

Income from financial assets

Late payment surcharge	815,431	436,545
Income from net investment in finance lease	15,172	13,985
Return on:		
- profit and loss bank accounts	51,354	49,490
- staff loans	1	75
- loan to a subsidiary	44,710	-
	926,668	500,095

Interest income on late payment of gas bills from

- KESC	1,529,796	1,132,127
- JJVL	20,580	10,916
- Water & Power Development Authority (WAPDA)	52,634	32,325
- SNGPL - Related Party	139,953	42,433
	1,742,963	1,217,801
Dividend income	-	703
	2,669,631	1,718,599

Income from investment in debts, loans, advances and receivables from related parties

Dividend income - SNGPL	237	2,090
Income from net investment in finance lease	29,490	30,858
	29,727	32,948

Others

Sale of gas condensate	30,001	7,335
Royalty income from JJVL	543,677	525,234
Meter manufacturing division profit - net	125,121	16,940
	698,799	549,509
	3,398,157	2,301,056

18. FINANCE COST

Mark-up on:

- local currency financing	561,118	587,142
- short term financing	-	1
- consumers' deposits	29,497	36,445
- delayed payment on gas bills	1,448,650	1,216,253
- others	2,389	871
	2,041,654	1,840,712

Less: Finance cost capitalised during the period

	(64,869)	(38,158)
	1,976,785	1,802,554

19. TAXATION

- Current	782,188	428,504
- Deferred	(234,795)	-
	547,393	428,504

		September 30, 2012	September 30, 2011
		(un-audited) (Rupees in '000)	
	Note		
20. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS			
Provisions	20.1	457,646	104,702
Depreciation		940,463	885,716
Amortization of intangibles		6,683	1,615
Finance cost		1,975,348	1,802,554
Amortization of transaction cost		1,437	1,562
Recognition of income against deferred credit		(98,492)	(147,620)
Dividend income		(237)	-
Late payment surcharge		(2,558,393)	(1,267,366)
Return on profit and loss bank accounts/loans		(96,065)	-
Income from net investment in finance lease		(44,662)	(44,843)
Loss on disposal of property plant and equipment		633	-
		584,361	1,336,320
Increase in long term advances		1,415	48,347
Employee benefits (refund) / paid		(20,764)	-
Service charges received from new customers		(1)	1,569
Long term deposits received - net		144,581	181,903
Long term loans and advances to staff - net		(166,152)	(124,340)
Late payment surcharge and return on investments received		2,440,787	1,508,180
		2,984,227	2,951,979
20.1 Provisions			
Provision against slow moving / obsolete stores		16,854	-
Provision against doubtful debts		64,183	7,451
Provision for employees benefits		102,875	97,251
Provision against impaired income		273,734	-
		457,646	104,702
21. WORKING CAPITAL CHANGES			
(Increase) / decrease in current assets			
Stores and spares		(106,599)	36,748
Stock-in-trade		24,508	89,102
Customers' installation work-in-progress		137,603	212
Trade debts		(4,560,381)	(6,018,100)
Trade deposits and short term prepayments		(33,462)	(33,897)
Other receivables		1,555,545	(1,386,537)
		(2,982,786)	(7,312,472)
Increase in current liabilities			
Trade and other payables		4,720,173	8,028,777
		1,737,387	716,305

22. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary companies, associated companies, joint ventures, state controlled entities, staff retirement benefit plans and key management personnel (including their associates). Purchase and sale of gas from / to related parties are determined at rates finalized and notified by Ministry of Petroleum & Natural Resources and Oil and Gas Regulatory Authority and the prices and other conditions are not influenced by the Company (comparable uncontrolled price method).

The detail of transactions with related parties not disclosed elsewhere in this financial information are as follows:

		September 30, 2012	September 30, 2011
		(un-audited) (Rupees in '000)	
	Relationship		
Askari Bank Limited	Associate		
- Profit on investment		<u>422</u>	<u>13,425</u>
- Markup on local currency finance		<u>54,960</u>	<u>64,368</u>
Bank Al Habib Limited	Associate		
- Profit on investment		<u>2,274</u>	<u>2,157</u>
- Markup on local currency finance		<u>17,518</u>	<u>22,650</u>
Habib Metropolitan Bank Limited	Associate		
- Profit on investment		<u>1,514</u>	<u>754</u>
- Markup on local currency finance		<u>7,220</u>	<u>14,762</u>
Fauji Fertilizer Company Limited	Associate		
- Sale of gas		<u>-</u>	<u>5</u>
Inter State Gas Systems (Private) Limited	Associate		
- Sharing of expenses		<u>15,524</u>	<u>14,762</u>
International Industries Limited	Associate		
- Line Pipe Purchases		<u>121,195</u>	<u>225,573</u>
- Sale of gas		<u>235,478</u>	<u>206,721</u>
Liaquat National Hospital	Associate		
- Medical services		<u>6,922</u>	<u>14,547</u>
- Gas sales		<u>24,836</u>	<u>18,695</u>
Minto & Mirza	Associate		
- Professional charges		<u>1,000</u>	<u>-</u>
Oil & Gas Development Company Limited	Associate		
- Principal portion of lease rental		<u>1,213</u>	<u>759</u>
- Gas purchases		<u>11,156,167</u>	<u>6,170,623</u>
Packages Limited	Associate		
- Gas sales		<u>3,080</u>	<u>2,075</u>
Pak Suzuki Motor Company Limited	Associate		
- Motor Vehicle Purchases		<u>27,298</u>	<u>28,520</u>
- Gas Sales		<u>8,424</u>	<u>8,640</u>
Pakistan Cables Limited	Associate		
- Gas sales		<u>14,784</u>	<u>14,899</u>

September 30, 2012 **September 30, 2011**
(un-audited)
(Rupees in '000)

	Relationship		
Pakistan State Oil Company Limited			
- Gas sales	Associate	<u>6,915</u>	<u>6,038</u>
- Purchase of fuel and lubricant		<u>1,332</u>	<u>2,632</u>
Remuneration of key management personnel			
- Executive staff	22.3	<u>15,339</u>	<u>30,513</u>
SSGC LPG (Private) Limited			
- Short Term Loan	Wholly owned subsidiary	<u>175,000</u>	<u>-</u>
- Interest on Loan		<u>44,710</u>	<u>-</u>
- LPG Purchases		<u>51,393</u>	<u>-</u>
Sui Northern Gas Pipelines Limited			
- Principal portion of lease rental	Associate	<u>16,314</u>	<u>32,698</u>
- Sale of gas meters	22.1	<u>421,603</u>	<u>333,137</u>
- Gas Purchases		<u>181,776</u>	<u>138,035</u>
- Uniform cost of gas		<u>8,825,046</u>	<u>6,735,998</u>
- Dividend income		<u>237</u>	<u>-</u>
State Life Insurance Corporation Limited			
- Rent of premises	Associate	<u>881</u>	<u>-</u>
- Insurance premium		<u>3,795</u>	<u>3,634</u>
Staff retirement benefit plans			
- Contribution to provident fund	22.2	<u>46,055</u>	<u>44,644</u>
- Contribution to pension fund	22.2	<u>68,679</u>	<u>39,264</u>
- Contribution to gratuity fund	22.2	<u>53,835</u>	<u>47,125</u>
Thatta Cement Company Limited			
- Gas sales	Associate	<u>2,021</u>	<u>64,023</u>
U.G Foods Company (Private) Limited			
- Gas sales	Associate	<u>3,753</u>	<u>3,273</u>

22.1 Sale of gas meters is made at cost plus method. The Company is the only manufacturer of gas meters in the country.

22.2 Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice.

22.3 Remuneration to the executive officers of the Company and loans and advances to them are determined in accordance with the terms of their employment. Mark-up free security deposits for gas connections to the executive staff of the Company is received at rates prescribed by the Government of Pakistan.

22.4 Amount (due to) / receivable from / investment in related parties.

The details of amount due with related parties not disclosed elsewhere in these financial statements are as follows:

		September 30, 2012 (un-audited) (Rupees in '000)	June 30, 2012 (audited)
	Relationship		
Askari Bank Limited	Associate		
- Long term finance		<u>(1,689,000)</u>	<u>(1,689,000)</u>
- Cash at bank		<u>155,749</u>	<u>2,310</u>
Bank Al Habib Limited	Associate		
- Long term finance		<u>(520,889)</u>	<u>(541,778)</u>
- Cash at bank		<u>61,665</u>	<u>98,698</u>
Habib Metropolitan Bank Limited	Associate		
- Long term finance		<u>(183,778)</u>	<u>(225,566)</u>
- Cash at bank		<u>507,941</u>	<u>4,871</u>
Liaquat National Hospital	Associate		
- Gas sales		<u>6,140</u>	<u>8,313</u>
Oil and Gas Development Company Limited	Associate		
- Gas purchases		<u>(37,742,612)</u>	<u>(35,266,701)</u>
Pak Suzuki Motor Company Limited	Associate		
- Gas Sales		<u>2,923</u>	<u>3,454</u>
Packages Limited	Associate		
- Gas sales		<u>696</u>	<u>991</u>
Pakistan Cables Limited	Associate		
- Gas sales		<u>5,158</u>	<u>6,309</u>
International Industries Limited	Associate		
- Sale of gas		<u>74,388</u>	<u>85,717</u>
Sui Northern Gas Pipelines Limited	Associate		
- Lease rentals		<u>116,799</u>	<u>78,743</u>
- Sale of gas meters		<u>441,880</u>	<u>84,006</u>
- Cost of gas levelisation		<u>6,943,789</u>	<u>9,387,759</u>
Thatta Cement Company Limited	Associate		
- Gas sales		<u>139</u>	<u>431</u>
U.G Foods Company (Private) Limited	Associate		
- Gas sales		<u>910</u>	<u>1,177</u>
Pakistan State Oil Company Limited	Associate		
- Gas sales		<u>1,141</u>	<u>2,168</u>
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Long Term Investment		<u>1,000,000</u>	<u>1,000,000</u>
- Short Term Loan		<u>1,476,000</u>	<u>1,301,000</u>
- Interest on Loan		<u>159,052</u>	<u>114,342</u>

23. OPERATING SEGMENTS SEGMENT REVENUE AND RESULTS

The following is analysis of the Company's revenue and results by reportable segment.

	SEGMENT REVENUE		SEGMENT PROFIT	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
			(un-audited) (Rupees in '000)	
Gas transmission and distribution	35,142,000	30,528,256	1,772,985	1,209,759
Meter manufacturing	522,554	457,609	125,121	16,940
Total segment results	<u>35,664,554</u>	<u>30,985,865</u>	<u>1,898,106</u>	<u>1,226,699</u>
Reconciliation of segment's profit with the profit before tax of the company				
Unallocated - other expenses				
- Other operating expenses			(490,439)	(98,900)
Unallocated - other income				
- Non-operating income			140,965	96,498
Profit before tax			<u>1,548,632</u>	<u>1,224,297</u>

24. SEGMENT ASSETS AND LIABILITIES

During the period, there were following significant increase in the assets and liabilities of transmission and distribution segment as compared to June 30, 2012:

	Increase Rupees in '000
Assets	
Property, plant and equipment	965,849
Trade debts	4,496,197
Other receivables	(1,555,545)
Liabilities	
Trade and other payables	4,719,820
Interest and mark-up accrued	1,315,994

As the company operates in one geographical area, there is no reportable geographical segment.

25. NON ADJUSTING EVENTS AFTER BALANCE SHEET

The Board of Directors have proposed a final dividend for the year ended June 30, 2012 of Rs. 2.25 per share (June 30, 2011: Rs. 2.5 per share), amounting to Rs. 1,982.061 million (June 30, 2011: Rs. 2,097.420 million) at their meeting held on February 15, 2013, for approval of the shareholders at the Annual General Meeting to be held on March 19, 2013.

26. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

27. DATE OF AUTHORISATION

This unconsolidated condensed interim financial information was authorised for issue on February 28, 2013 by the Board of Directors of the Company.



Waqar A. Malik
Chairman



Zuhair Siddiqui
Managing Director